

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>OTSEGO TOWNSHIP</b>	County <b>ALLEGAN</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>4/21/04</b>	Date Accountant Report Submitted to State: <b>8/3/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Siegfried Crandall PC</b>			
Street Address <b>246 East Kilgore Road</b>		City <b>Kalamazoo</b>	State <b>MI</b>
		ZIP <b>49002-5599</b>	
Accountant Signature 			Date

*Township of Otsego*  
*Allegan County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2004*

---

## CONTENTS

---

	<i>Page</i>
INDEPENDENT AUDITORS' REPORT	3
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Combined balance sheet - all fund types and account group	4
Combined statement of revenues, expenditures, and changes in fund balances - all governmental fund types	5
Combined statement of revenues, expenditures, and changes in fund balances - budget and actual - general and special revenue funds	6
Statement of revenues, expenses, and changes in retained earnings - proprietary fund type	7
Statement of cash flows - proprietary fund type	8
Notes to financial statements	9 - 15
SUPPLEMENTARY INFORMATION:	
Governmental fund types:	
Statement of revenues, expenditures, and changes in fund balance - budget and actual - General Fund	16 - 18
Combining balance sheet - special revenue funds	19
Combining statement of revenues, expenditures, and changes in fund balances - special revenue funds	20
Statement of revenues, expenditures, and changes in fund balance - budget and actual - Cemetery Fund	21 - 22
Proprietary fund type:	
Enterprise Fund:	
Balance sheet - Public Utilities Fund	23
Statement of revenues, expenses, and changes in retained earnings - Public Utilities Fund	24
Fiduciary fund types:	
Combining statement of changes in assets and liabilities - all agency funds	25
OTHER SUPPLEMENTARY DATA:	
Schedules of annual principal and interest requirements	26 - 27

**INDEPENDENT AUDITORS' REPORT**

**Board of Trustees  
Township of Otsego, Michigan**

We have audited the accompanying general purpose financial statements of the Township of Otsego, Michigan, as of and for the year ended March 31, 2004, as listed in the contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Otsego, Michigan, as of March 31, 2004, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying combining and individual fund statements and other supplementary data, as listed in the contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Otsego, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is stated fairly in all material respects in relation to the general purpose financial statements taken as a whole.

*Siegfried Crandall P.C.*

April 21, 2004

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

**Township of Otsego****COMBINED BALANCE SHEET - all fund types and account group**

March 31, 2004

---

		<u>Governmental fund types</u>	
		<u>General</u>	<u>Special revenue</u>
ASSETS			
Cash		\$ 591,737	\$ 19,108
Receivables:			
Taxes		11,805	-
Accounts		-	-
Special assessments		-	-
Due from other funds		5,613	-
Due from other governmental units		52,773	51,252
Deposit with fiscal agent		-	-
Sewer capacity rights (net of accumulated amortization)		-	-
Fixed assets (net, where applicable, of accumulated depreciation)		-	-
		<hr/>	<hr/>
TOTAL ASSETS		<u>\$ 661,928</u>	<u>\$ 70,360</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Accounts payable		\$ 36,350	\$ 1,792
Due to other funds		-	-
Due to other governmental units		-	-
Long-term debt		-	-
		<hr/>	<hr/>
Total liabilities		<u>36,350</u>	<u>1,792</u>
FUND EQUITY:			
Investment in general fixed assets		-	-
Contributed capital		-	-
Retained earnings		-	-
Fund balance:			
Reserved for trash collection expenditures		135,066	-
Unreserved, undesignated		490,512	68,568
		<hr/>	<hr/>
Total fund equity		<u>625,578</u>	<u>68,568</u>
TOTAL LIABILITIES AND FUND EQUITY		<u>\$ 661,928</u>	<u>\$ 70,360</u>

---

<i>Proprietary fund type</i>	<i>Fiduciary fund type</i>	<i>Account group</i>	<i>Totals</i>
<i>Enterprise</i>	<i>Agency</i>	<i>General fixed assets</i>	<i>(memorandum only)</i>
\$ 581,840	\$ 11,421	\$ -	\$ 1,204,106
-	-	-	11,805
28,982	-	-	28,982
442,453	-	-	442,453
-	-	-	5,613
-	-	-	104,025
214,085	-	-	214,085
394,400	-	-	394,400
4,439,366	-	1,110,416	5,549,782
<u>\$ 6,101,126</u>	<u>\$ 11,421</u>	<u>\$ 1,110,416</u>	<u>\$ 7,955,251</u>
\$ 19,437	\$ 1,494	\$ -	\$ 59,073
-	5,613	-	5,613
-	4,314	-	4,314
2,250,000	-	-	2,250,000
<u>2,269,437</u>	<u>11,421</u>	<u>-</u>	<u>2,319,000</u>
-	-	1,110,416	1,110,416
1,967,670	-	-	1,967,670
1,864,019	-	-	1,864,019
-	-	-	135,066
-	-	-	559,080
<u>3,831,689</u>	<u>-</u>	<u>1,110,416</u>	<u>5,636,251</u>
<u>\$ 6,101,126</u>	<u>\$ 11,421</u>	<u>\$ 1,110,416</u>	<u>\$ 7,955,251</u>

See notes to financial statements

**Township of Otsego****COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - all governmental fund types***Year ended March 31, 2004*

	<i>General</i>	<i>Special revenue</i>	<i>Totals (memorandum only)</i>
REVENUES:			
Taxes	\$ 144,707	\$ 28,911	\$ 173,618
Licenses and permits	106,778	-	106,778
State grants	363,019	-	363,019
Contribution from local unit	-	51,252	51,252
Charges for services	7,950	28,929	36,879
Interest and rentals	11,406	335	11,741
Other	130,901	-	130,901
Total revenues	<u>764,761</u>	<u>109,427</u>	<u>874,188</u>
EXPENDITURES:			
Legislative	4,839	-	4,839
General government	214,314	145,559	359,873
Public safety	180,773	-	180,773
Public works	213,139	-	213,139
Community and economic development	24,073	-	24,073
Recreation and cultural	14,000	-	14,000
Capital outlay	10,720	-	10,720
Total expenditures	<u>661,858</u>	<u>145,559</u>	<u>807,417</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>102,903</u>	<u>(36,132)</u>	<u>66,771</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	28,911	70,000	98,911
Operating transfers out	<u>(122,500)</u>	<u>(28,911)</u>	<u>(151,411)</u>
Total other financing sources	<u>(93,589)</u>	<u>41,089</u>	<u>(52,500)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	9,314	4,957	14,271
FUND BALANCE - BEGINNING OF YEAR	<u>616,264</u>	<u>63,611</u>	<u>679,875</u>
FUND BALANCE - END OF YEAR	<u>\$ 625,578</u>	<u>\$ 68,568</u>	<u>\$ 694,146</u>

*See notes to financial statements*



**Township of Otsego****COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL - *general and special revenue funds****Year ended March 31, 2004*

	<i>General</i>		
	<i>Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
REVENUES:			
Taxes	\$ 164,681	\$ 144,707	\$ (19,974)
Licenses and permits	113,000	106,778	(6,222)
State grants	378,080	363,019	(15,061)
Contributions from local unit	-	-	-
Charges for services	8,500	7,950	(550)
Interest and rentals	17,000	11,406	(5,594)
Other	125,226	130,901	5,675
Total revenues	<u>806,487</u>	<u>764,761</u>	<u>(41,726)</u>
EXPENDITURES:			
Legislative	4,840	4,839	1
General government	245,029	214,314	30,715
Public safety	197,905	180,773	17,132
Public works	326,099	213,139	112,960
Community and economic development	27,686	24,073	3,613
Recreation and cultural	14,000	14,000	-
Capital outlay	30,350	10,720	19,630
Total expenditures	<u>845,909</u>	<u>661,858</u>	<u>184,051</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(39,422)</u>	<u>102,903</u>	<u>142,325</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	30,637	28,911	(1,726)
Operating transfers out	<u>(173,500)</u>	<u>(122,500)</u>	<u>51,000</u>
Total other financing sources (uses)	<u>(142,863)</u>	<u>(93,589)</u>	<u>49,274</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(182,285)</u>	<u>9,314</u>	<u>191,599</u>
FUND BALANCE - BEGINNING OF YEAR	<u>616,264</u>	<u>616,264</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 433,979</u>	<u>\$ 625,578</u>	<u>\$ 191,599</u>

<i>Special revenue</i>			<i>Totals (memorandum only)</i>		
<i>Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
\$ 30,637	\$ 28,911	\$ (1,726)	\$ 195,318	\$ 173,618	\$ (21,700)
-	-	-	113,000	106,778	(6,222)
-	-	-	378,080	363,019	(15,061)
52,724	51,252	(1,472)	52,724	51,252	(1,472)
26,500	28,929	2,429	35,000	36,879	1,879
500	335	(165)	17,500	11,741	(5,759)
18,100	-	(18,100)	143,326	130,901	(12,425)
<u>128,461</u>	<u>109,427</u>	<u>(19,034)</u>	<u>934,948</u>	<u>874,188</u>	<u>(60,760)</u>
-	-	-	4,840	4,839	1
153,850	145,559	8,291	398,879	359,873	39,006
-	-	-	197,905	180,773	17,132
-	-	-	326,099	213,139	112,960
-	-	-	27,686	24,073	3,613
-	-	-	14,000	14,000	-
20,000	-	20,000	50,350	10,720	39,630
<u>173,850</u>	<u>145,559</u>	<u>28,291</u>	<u>1,019,759</u>	<u>807,417</u>	<u>212,342</u>
<u>(45,389)</u>	<u>(36,132)</u>	<u>9,257</u>	<u>(84,811)</u>	<u>66,771</u>	<u>151,582</u>
81,500	70,000	(11,500)	112,137	98,911	(13,226)
<u>(30,637)</u>	<u>(28,911)</u>	<u>1,726</u>	<u>(204,137)</u>	<u>(151,411)</u>	<u>52,726</u>
<u>50,863</u>	<u>41,089</u>	<u>(9,774)</u>	<u>(92,000)</u>	<u>(52,500)</u>	<u>39,500</u>
5,474	4,957	(517)	(176,811)	14,271	191,082
<u>63,611</u>	<u>63,611</u>	<u>-</u>	<u>679,875</u>	<u>679,875</u>	<u>-</u>
<u>\$ 69,085</u>	<u>\$ 68,568</u>	<u>\$ (517)</u>	<u>\$ 503,064</u>	<u>\$ 694,146</u>	<u>\$ 191,082</u>

See notes to financial statements

**Township of Otsego**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**RETAINED EARNINGS - *proprietary fund type***  
*Year ended March 31, 2004*

---

OPERATING REVENUES	\$ 311,341
OPERATING EXPENSES	<u>495,152</u>
OPERATING LOSS	<u>(183,811)</u>
NONOPERATING REVENUES (EXPENSES):	
Interest revenues:	
Special assessments	33,344
Other	11,095
Developer contributions	291,297
Debt retirement charges	116,279
Development fees	188,470
Interest expense and fiscal charges	<u>(132,121)</u>
Total nonoperating revenues	<u>508,364</u>
INCOME BEFORE OPERATING TRANSFERS	324,553
OPERATING TRANSFER IN - General Fund	<u>52,500</u>
NET INCOME	377,053
RETAINED EARNINGS - BEGINNING OF YEAR	<u>1,486,966</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 1,864,019</u>

*See notes to financial statements*

**Township of Otsego**  
**STATEMENT OF CASH FLOWS - proprietary fund type**  
Year ended March 31, 2004

---

Cash flows from operating activities:	
Receipts from customers and users	\$ 313,800
Payments to suppliers	(420,292)
Payments to employees	<u>(36,000)</u>
Net cash used in operating activities	<u>(142,492)</u>
Cash flows from noncapital financing activities:	
Operating transfer in	<u>52,500</u>
Cash flows from capital and related financing activities:	
Receipt of debt retirement charges	116,279
Receipt of development fees	226,773
Collection of special assessment principal	76,595
Collection of special assessment interest	33,344
Increase in due from other governmental units	(183,324)
Acquisition of fixed assets	(151,348)
Principal paid on long-term debt	(140,000)
Interest paid on long-term debt	<u>(132,121)</u>
Net cash used in capital and related financing activities	<u>(153,802)</u>
Cash flows from investing activities:	
Interest received	<u>11,095</u>
Net decrease in cash	(232,699)
Cash - beginning of year	<u>814,539</u>
Cash - end of year	<u>\$ 581,840</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (183,811)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	93,028
Amortization	30,600
Decrease in accounts receivable	2,459
Decrease in accounts payable	<u>(84,768)</u>
Net cash used in operating activities	<u>\$ (142,492)</u>
Supplemental schedule of noncash capital and related financing activities:	
Total acquisition and construction of capital assets	\$ 442,645
Less capital assets contributed by developers	<u>(291,297)</u>
Cash used	<u>\$ 151,348</u>

See notes to financial statements

**Township of Otsego**  
**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Otsego, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant accounting policies:

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Township exercises oversight responsibility.

*b) Basis of presentation:*

The accounts of the Township are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for in, individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The financial activities of the Township are recorded in the separate funds and account group, categorized, and described as follows:

*(i) Governmental funds:*

General Fund - this fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state distributions.

Special revenues funds - these funds are used to account for specific revenues (other than major capital projects) derived from property taxes, general fund appropriations, and charges for services which are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.

*(ii) Proprietary fund:*

Enterprise Fund - this fund is comprised of the Public Utilities Fund and is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Township of Otsego**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*b) Basis of presentation (continued):*

*(iii) Fiduciary funds:*

Agency funds - agency funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*(iv) Account group:*

General fixed assets account group - this account group presents the fixed assets of the Township utilized in its general operations (nonproprietary fixed assets).

*c) Basis of accounting:*

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available to finance expenditures of the fiscal period and are considered fully collectible. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

The proprietary fund is accounted for using the accrual basis of accounting. Its revenues are recognized when they are earned and its expenses are recognized when they are incurred. The Township has elected to follow (1) all GASB pronouncements and (2) Financial Accounting Standards Board statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

*d) Budgets and budgetary accounting:*

The Township follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgeting and Accounting Act (Act No. 621, Public Acts of 1978) as prescribed by the State of Michigan. Budgets for the general and special revenues funds are adopted at the activity level and are on a basis consistent with generally accepted accounting principles.

*e) Receivables:*

All receivables are expected to be fully collectible as presented.

**Township of Otsego**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*f) Fixed assets:*

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain ("infrastructures") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

This account group is not a fund. It is concerned only with the measurement of financial position and is not involved with measurement of results of operations.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water and sewer systems	50 years
Equipment	10-15 years

*g) Intangible assets:*

Intangible assets consist of additional sewer capacity purchased from other governmental units and is being amortized over 25 years using a straight-line method.

*h) Property tax revenues recognition:*

Property tax revenues are recognized in the year for which taxes have been levied and become available. Property taxes are levied as of December 1, on property values assessed as of December 31 of the preceding year. The billings are due on February 14, with a final collection date of February 28, before they are added to the County delinquent tax roll. The Township considers property taxes levied December 1 to be revenues of the current period.

*i) Fund equity:*

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

*j) Totals - (memorandum only):*

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation as interfund eliminations have not been made.

**Township of Otsego**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 2 - CASH:**

A reconciliation of cash to the Township's deposits and cash on hand, as presented in the combined balance sheet, is as follows:

<i>Financial statements:</i>	
Cash	<u>\$1,204,106</u>
<i>Notes to financial statements:</i>	
Deposits	\$1,204,086
Cash on hand	<u>20</u>
	<u>\$1,204,106</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of federally-insured banks, credit unions, and savings and loan associations. At March 31, 2004, the Township has deposits with a carrying amount of \$1,204,086 and a bank balance of \$1,238,034. Of the bank balance, \$203,711 is covered by federal depository insurance and \$1,034,323 is uninsured.

**NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES:**

The amounts of interfund receivables and payables at March 31, 2004, are as follows:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Fund</u>	<u>Interfund payable</u>
General	<u>\$5,613</u>	Tax Collection	<u>\$5,613</u>

**NOTE 4 - FIXED ASSETS:**

The following is a schedule of changes in general fixed assets of the Township during the year ended March 31, 2004:

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2004</u>
Land	\$ 16,850	\$ -	\$ -	\$ 16,850
Buildings	207,284	-	-	207,284
Equipment:				
General	93,013	10,350	-	103,363
Cemetery	94,394	-	-	94,394
Fire trucks	<u>688,525</u>	<u>-</u>	<u>-</u>	<u>688,525</u>
TOTAL INVESTMENT IN GENERAL FIXED ASSETS	<u>\$1,100,066</u>	<u>\$10,350</u>	<u>\$ -</u>	<u>\$1,110,416</u>



**Township of Otsego**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 4 - FIXED ASSETS (Continued):**

A summary of proprietary fund type fixed assets at March 31, 2004, is as follows:

Land	\$ 51,860
Water and sewer systems	3,213,102
Water tower	1,704,408
Equipment	<u>46,889</u>
Total cost	5,016,259
Less accumulated depreciation	<u>576,893</u>
Net book value	<u>\$4,439,366</u>

**NOTE 5 - LONG-TERM DEBT:**

Long-term debt at March 31, 2004, is comprised of the following individual issues:

Enterprise Fund:

\$1,200,000 1996 Allegan County (Otsego Township) water supply and sewage disposal system contract payable - payable in annual installments ranging from \$50,000 to \$100,000, plus interest at 4.90% to 7.00%; final payment due May 2016	\$ 950,000
\$1,375,000 2000 Allegan County (Otsego Township) water supply and sewage disposal system contract payable - payable in annual installments ranging from \$25,000 to \$125,000, plus interest at 4.70% to 6.00%; final payment due May 2020	<u>1,300,000</u>
	<u>\$2,250,000</u>

A summary of long-term debt transactions of the Township for the year ended March 31, 2004, is as follows:

	<u>Enterprise Fund</u>
Balance - April 1, 2003	\$2,390,000
Issuance	-
Retirements	<u>(140,000)</u>
Balance - March 31, 2004	<u>\$2,250,000</u>

**Township of Otsego**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 5 - LONG-TERM DEBT (Continued):**

The annual requirements to amortize all debt outstanding at March 31, 2004, including interest of \$1,139,674, are as follows:

2005	\$ 63,012
2006	199,124
2007	219,649
2008	238,787
2009	232,163
Thereafter	<u>2,436,939</u>
	<u>\$3,389,674</u>

The Township has pledged its full faith and credit for the payment of all contracts.

**NOTE 6 - DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits for substantially all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. Contributions range from \$200 to \$3,600 per employee, at a rate of \$100 per \$1,000 of compensation. The Township's contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made the required contributions of \$31,103 for the fiscal year ending March 31, 2004.

**NOTE 7 - SELECTED SEGMENT INFORMATION:**

Selected segment information of the sole enterprise fund is as follows: a) working capital - \$628,385; and b) long-term debt - \$2,250,000.

**NOTE 8 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss to general liability, property and casualty, workers' compensation, and employee health and medical claims.

The risks of loss arising from general liability up to \$5,000,000, building contents, workers' compensation, employee medical, and casualty are managed through purchased commercial insurance.

***Township of Otsego***  
**NOTES TO FINANCIAL STATEMENTS *(Continued)***

---

NOTE 9 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2004, are as follows:

Permit revenues	\$ 96,403
Expenses	
Direct	(86,705)
Indirect	<u>(8,186)</u>
Excess of revenues over expenses	<u>\$ 1,512</u>

## **SUPPLEMENTARY INFORMATION**

**Township of Otsego**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - General Fund**  
Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Taxes:			
Property taxes	\$ 121,272	\$ 105,799	\$ (15,473)
Administration fees	41,909	37,552	(4,357)
Penalties and interest	-	17	17
Trailer park fees	<u>1,500</u>	<u>1,339</u>	<u>(161)</u>
Total taxes	<u>164,681</u>	<u>144,707</u>	<u>(19,974)</u>
Licenses and permits:			
Building permits	60,000	58,229	(1,771)
Electrical permits	15,000	14,172	(828)
Mechanical permits	15,000	13,712	(1,288)
Plumbing permits	10,000	10,290	290
Cable TV franchise fees	<u>13,000</u>	<u>10,375</u>	<u>(2,625)</u>
Total licenses and permits	<u>113,000</u>	<u>106,778</u>	<u>(6,222)</u>
State grants - state shared revenue	<u>378,080</u>	<u>363,019</u>	<u>(15,061)</u>
Charges for services	<u>8,500</u>	<u>7,950</u>	<u>(550)</u>
Interest and rentals:			
Interest	15,000	9,556	(5,444)
Rentals	<u>2,000</u>	<u>1,850</u>	<u>(150)</u>
Total interest and rentals	<u>17,000</u>	<u>11,406</u>	<u>(5,594)</u>
Other:			
Special assessments	108,506	108,482	(24)
Reimbursements	13,000	18,408	5,408
Miscellaneous	<u>3,720</u>	<u>4,011</u>	<u>291</u>
Total other	<u>125,226</u>	<u>130,901</u>	<u>5,675</u>
Total revenues	<u>806,487</u>	<u>764,761</u>	<u>(41,726)</u>

**Township of Otsego****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL - General Fund (Continued)**

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES:			
Legislative - Township board	\$ 4,840	\$ 4,839	\$ 1
General government:			
Supervisor	46,310	41,271	5,039
Elections	5,000	154	4,846
Assessor	30,800	30,095	705
Legal	10,000	5,016	4,984
Audit	2,750	2,750	-
Clerk	26,501	26,387	114
Board of review	1,500	1,210	290
Board of appeals	5,000	825	4,175
Treasurer	26,401	22,930	3,471
Building and grounds	26,000	25,739	261
Other	64,767	57,937	6,830
Total general government	245,029	214,314	30,715
Public safety:			
Fire protection	102,905	94,068	8,837
Inspections	95,000	86,705	8,295
Total public safety	197,905	180,773	17,132
Public works:			
Road construction and maintenance	257,911	173,563	84,348
Drains	8,138	468	7,670
Street lighting	1,050	667	383
Refuse collection	40,000	26,717	13,283
Engineering	19,000	11,724	7,276
Total public works	326,099	213,139	112,960
Community and economic development:			
Planning and zoning	27,686	24,073	3,613
Recreation and cultural - community education	14,000	14,000	-
Capital outlay	30,350	10,720	19,630
Total expenditures	845,909	661,858	184,051

**Township of Otsego****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL - General Fund (Continued)***Year ended March 31, 2004*

---

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (39,422)</u>	<u>\$ 102,903</u>	<u>\$ 142,325</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in - Trash Fund	<u>30,637</u>	<u>28,911</u>	<u>(1,726)</u>
Operating transfers out:			
Cemetery Fund	<u>(81,500)</u>	<u>(70,000)</u>	<u>11,500</u>
Public Utilities Fund	<u>(92,000)</u>	<u>(52,500)</u>	<u>39,500</u>
Total transfers out	<u>(173,500)</u>	<u>(122,500)</u>	<u>51,000</u>
Total other financing sources (uses)	<u>(142,863)</u>	<u>(93,589)</u>	<u>49,274</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(182,285)</u>	<u>9,314</u>	<u>191,599</u>
FUND BALANCE - BEGINNING OF YEAR	<u>616,264</u>	<u>616,264</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 433,979</u>	<u>\$ 625,578</u>	<u>\$ 191,599</u>

**Township of Otsego**  
**COMBINING BALANCE SHEET - special revenue funds**  
*March 31, 2004*

---

	<u>Cemetery</u>	<u>Trash</u>	<u>Totals (memorandum only)</u>
ASSETS			
Cash	\$ 19,108	\$ -	\$ 19,108
Due from other governmental units	<u>51,252</u>	<u>-</u>	<u>51,252</u>
TOTAL ASSETS	<u>\$ 70,360</u>	<u>\$ -</u>	<u>\$ 70,360</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Accounts payable	\$ 1,792	\$ -	\$ 1,792
FUND EQUITY:			
Fund balance - unreserved, undesignated	<u>68,568</u>	<u>-</u>	<u>68,568</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 70,360</u>	<u>\$ -</u>	<u>\$ 70,360</u>



**Township of Otsego****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - *special revenue funds****Year ended March 31, 2004*


---

	<u>Cemetery</u>	<u>Trash</u>	<u>Totals (memorandum only)</u>
REVENUES:			
Taxes	\$ -	\$ 28,911	\$ 28,911
Contribution from local unit	51,252	-	51,252
Charges for services	28,929	-	28,929
Interest	335	-	335
	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	80,516	28,911	109,427
EXPENDITURES:			
General government	145,559	-	145,559
	<u>          </u>	<u>          </u>	<u>          </u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(65,043)</u>	<u>28,911</u>	<u>(36,132)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in - General Fund	70,000	-	70,000
Operating transfers out - General Fund	-	(28,911)	(28,911)
	<u>          </u>	<u>          </u>	<u>          </u>
Total other financing sources (uses)	70,000	(28,911)	41,089
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	4,957	-	4,957
FUND BALANCE - BEGINNING OF YEAR	<u>63,611</u>	<u>-</u>	<u>63,611</u>
FUND BALANCE - END OF YEAR	<u>\$ 68,568</u>	<u>\$ -</u>	<u>\$ 68,568</u>

**Township of Otsego****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - Cemetery Fund***Year ended March 31, 2004*

---

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Contribution from local unit - City of Otsego	\$ 52,724	\$ 51,252	\$ (1,472)
Charges for services:			
Foundations	5,000	4,245	(755)
Grave openings	15,000	16,784	1,784
Cemetery lots	6,500	7,900	1,400
Total charges for services	26,500	28,929	2,429
Interest	500	335	(165)
Other	18,100	-	(18,100)
Total revenues	97,824	80,516	(17,308)
EXPENDITURES:			
General government:			
Salaries	86,500	85,198	1,302
Payroll taxes	7,000	6,747	253
Pension	8,000	7,840	160
Fuel	4,000	2,813	1,187
Audit	595	500	95
Telephone	500	331	169
Insurance and bonds	27,620	29,448	(1,828)
Utilities	935	931	4
Repairs and maintenance	13,200	10,307	2,893
Tree removal	2,500	-	2,500
Insect control	1,000	427	573
Miscellaneous	2,000	1,017	983
Total general government	153,850	145,559	8,291

**Township of Otsego****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL - Cemetery Fund (Continued)***Year ended March 31, 2004*

---

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued):			
Capital outlay	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>
Total expenditures	<u>173,850</u>	<u>145,559</u>	<u>28,291</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(76,026)	(65,043)	10,983
OTHER FINANCING SOURCES:			
Operating transfer in - General Fund	<u>81,500</u>	<u>70,000</u>	<u>(11,500)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	5,474	4,957	(517)
FUND BALANCE - BEGINNING OF YEAR	<u>63,611</u>	<u>63,611</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 69,085</u>	<u>\$ 68,568</u>	<u>\$ (517)</u>

**Township of Otsego**  
**BALANCE SHEET - Public Utilities Fund**  
March 31, 2004

---

ASSETS

CURRENT ASSETS:

Cash	\$ 581,840
Accounts receivable	28,982
Special assessments receivable - current portion	<u>37,000</u>

Total current assets	<u>647,822</u>
----------------------	----------------

FIXED ASSETS:

Land	51,860
Water and sewer systems	4,917,510
Machinery and equipment	<u>46,889</u>

	5,016,259
Less accumulated depreciation	<u>576,893</u>

Net fixed assets	<u>4,439,366</u>
------------------	------------------

OTHER ASSETS:

Special assessments receivable (net of current portion)	405,453
Sewer capacity rights (net of accumulated amortization)	394,400
Deposit with fiscal agent	<u>214,085</u>

Total other assets	<u>1,013,938</u>
--------------------	------------------

TOTAL ASSETS	<u>\$ 6,101,126</u>
--------------	---------------------

---

## LIABILITIES AND FUND EQUITY

### CURRENT LIABILITIES:

Current maturities of long-term debt	\$ -
Accounts payable	<u>19,437</u>

Total current liabilities	19,437
---------------------------	--------

LONG-TERM DEBT, less current portion	<u>2,250,000</u>
--------------------------------------	------------------

Total liabilities	<u>2,269,437</u>
-------------------	------------------

### FUND EQUITY:

Contributed capital	1,967,670
Retained earnings - unreserved, undesignated	<u>1,864,019</u>

Total fund equity	<u>3,831,689</u>
-------------------	------------------

TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 6,101,126</u>
-----------------------------------	---------------------

**Township of Otsego**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**RETAINED EARNINGS - Public Utilities Fund**  
*Year ended March 31, 2004*

---

OPERATING REVENUES	<u>\$ 311,341</u>
OPERATING EXPENSES:	
Salaries	36,000
Payroll taxes	2,754
Pension	4,012
Professional fees	68,040
Insurance	12,367
Utilities	9,979
Supplies and maintenance	34,574
Sewage flow	189,277
Water usage	11,747
Depreciation	93,028
Amortization	30,600
Other	<u>2,774</u>
Total operating expenses	<u>495,152</u>
OPERATING LOSS	<u>(183,811)</u>
NONOPERATING REVENUES (EXPENSES):	
Interest revenue:	
Special assessments	33,344
Other	11,095
Developer contributions	291,297
Debt retirement charges	116,279
Development fees	188,470
Interest expense and fiscal charges	<u>(132,121)</u>
Total nonoperating revenues	<u>508,364</u>
INCOME BEFORE OPERATING TRANSFERS	324,553
OPERATING TRANSFER IN - General Fund	<u>52,500</u>
NET INCOME	377,053
RETAINED EARNINGS - BEGINNING OF YEAR	<u>1,486,966</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 1,864,019</u>

**Township of Otsego**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -**  
**all agency funds**  
Year ended March 31, 2004

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2004</u>
<b>AGENCY FUND</b>				
<b>ASSETS</b>				
Cash	<u>\$ 17,676</u>	<u>\$ 314,612</u>	<u>\$ 326,480</u>	<u>\$ 5,808</u>
<b>LIABILITIES</b>				
Due to other funds	\$ 6	\$ 1,726	\$ 1,732	\$ -
Due to other governmental units	-	16,962	12,648	4,314
Due to others	<u>17,670</u>	<u>295,924</u>	<u>312,100</u>	<u>1,494</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 17,676</u>	<u>\$ 314,612</u>	<u>\$ 326,480</u>	<u>\$ 5,808</u>
<b>TAX COLLECTION FUND</b>				
<b>ASSETS</b>				
Cash	<u>\$ 1,302</u>	<u>\$ 3,109,116</u>	<u>\$ 3,104,805</u>	<u>\$ 5,613</u>
<b>LIABILITIES</b>				
Due to other funds	\$ 1,293	\$ 239,412	\$ 235,092	\$ 5,613
Due to other governmental units	-	2,859,597	2,859,597	-
Due to others	<u>9</u>	<u>10,107</u>	<u>10,116</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 1,302</u>	<u>\$ 3,109,116</u>	<u>\$ 3,104,805</u>	<u>\$ 5,613</u>
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash	<u>\$ 18,978</u>	<u>\$ 3,423,728</u>	<u>\$ 3,431,285</u>	<u>\$ 11,421</u>
<b>LIABILITIES</b>				
Due to other funds	\$ 1,299	\$ 241,138	\$ 236,824	\$ 5,613
Due to other governmental units	-	2,876,559	2,872,245	4,314
Due to others	<u>17,679</u>	<u>306,031</u>	<u>322,216</u>	<u>1,494</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 18,978</u>	<u>\$ 3,423,728</u>	<u>\$ 3,431,285</u>	<u>\$ 11,421</u>

## **OTHER SUPPLEMENTARY DATA**



**Township of Otsego****SCHEDULE OF ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS****\$1,200,000 1996 WATER SUPPLY AND SEWAGE DISPOSAL****SYSTEM CONTRACT PAYABLE***March 31, 2004*


---

<i>Fiscal period</i>	<i>Interest rate</i>	<i>Interest</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
		<i>May 1</i>	<i>November 1</i>			
2005	5.00%	\$ -	\$ 26,131	05/01/04	\$ -	\$ 26,131
2006	7.00%	26,131	24,856	05/01/05	50,000	100,987
2007	5.10%	24,856	23,556	05/01/06	50,000	98,412
2008	5.20%	23,556	21,569	05/01/07	75,000	120,125
2009	5.30%	21,569	19,544	05/01/08	75,000	116,113
2010	5.40%	19,544	17,481	05/01/09	75,000	112,025
2011	5.50%	17,481	15,419	05/01/10	75,000	107,900
2012	5.50%	15,419	13,356	05/01/11	75,000	103,775
2013	5.55%	13,356	11,275	05/01/12	75,000	99,631
2014	5.60%	11,275	8,475	05/01/13	100,000	119,750
2015	5.60%	8,475	5,675	05/01/14	100,000	114,150
2016	5.65%	5,675	2,850	05/01/15	100,000	108,525
2017	5.70%	2,850	-	05/01/16	100,000	102,850
		<u>\$ 190,187</u>	<u>\$ 190,187</u>		<u>\$ 950,000</u>	<u>\$ 1,330,374</u>

**Township of Otsego****SCHEDULE OF ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS****\$1,375,000 2000 WATER SUPPLY AND SEWAGE DISPOSAL****SYSTEM CONTRACT PAYABLE***March 31, 2004*


---

<i>Fiscal period</i>	<i>Interest rate</i>	<i>Interest</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
		<i>May 1</i>	<i>November 1</i>			
2005	4.90%	\$ -	\$ 36,881	05/01/04	\$ -	\$ 36,881
2006	5.00%	36,881	36,256	05/01/05	25,000	98,137
2007	5.10%	36,256	34,981	05/01/06	50,000	121,237
2008	5.20%	34,981	33,681	05/01/07	50,000	118,662
2009	5.25%	33,681	32,369	05/01/08	50,000	116,050
2010	5.30%	32,369	30,381	05/01/09	75,000	137,750
2011	5.35%	30,381	28,375	05/01/10	75,000	133,756
2012	5.40%	28,375	26,350	05/01/11	75,000	129,725
2013	5.50%	26,350	24,288	05/01/12	75,000	125,638
2014	5.60%	24,288	22,188	05/01/13	75,000	121,476
2015	5.70%	22,188	20,050	05/01/14	75,000	117,238
2016	5.80%	20,050	17,150	05/01/15	100,000	137,200
2017	5.90%	17,150	14,200	05/01/16	100,000	131,350
2018	5.90%	14,200	11,250	05/01/17	100,000	125,450
2019	6.00%	11,250	7,500	05/01/18	125,000	143,750
2020	6.00%	7,500	3,750	05/01/19	125,000	136,250
2021	6.00%	3,750	-	05/01/20	125,000	128,750
		<u>\$ 379,650</u>	<u>\$ 379,650</u>		<u>\$ 1,300,000</u>	<u>\$ 2,059,300</u>